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Industrial Development Board

enty-sixth session

SUMMARY RECORD OF THE 1st MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 19 November 2002, at 10 a.m.

President: Mr. HORVATH (Hungary)

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The meeting was called to order at 10.20 a.m.

OPENING OF THE SESSION

1. **The PRESIDENT**, declaring open the twenty-sixth session of the Industrial Development Board, said that since the ninth session of the General Conference the Organization had already implemented the most crucial elements of its reforms, including the recently completed restructuring of the Secretariat. In that context, he welcomed the new Managing Directors and wished them every success in their endeavours. UNIDO was working on the implementation of the 1997 Business Plan on the Role and Functions of UNIDO and the medium-term programme framework, 2002-2005. The presence of several ministers and high-ranking officials at the session indicated the growing recognition of UNIDO as an important global player for effective poverty alleviation, technological development and enhanced environment protection for the benefit of all Member States, whether recipients or donors. The Board was faced with a full and complex agenda, including such significant items as the proposed UNIDO strategy paper (IDB.26/15). He was confident that, working in a spirit of cooperation, mutual respect and compromise in the limited time available, the Board would take decisions regarding its agenda that would further increase UNIDO's reputation.

ORGANIZATION OF WORK

2. **The PRESIDENT** proposed that the Board should once again decide to suspend rule 32 of the rules of procedure regarding the quorum, except for meetings at which substantive decisions were to be taken. Rule 80 provided for a 24-hour period of notice of a proposal for suspension, which could be waived if no representative of a member of the Board objected. If he heard no objection, he would assume that the Board wished to suspend rule 32.

3. *It was so decided.*

ADOPTION OF THE AGENDA (IDB.26/1 and Add.1; IDB.26/CRP.1)

4. *The provisional agenda (IDB.26/1) was adopted.*

STATEMENTS BY THE DIRECTOR-GENERAL AND MANAGING DIRECTORS

5. **Mr. MAGARIÑOS** (Director-General) welcomed participants to the session, and particularly welcomed the Ministers from Cameroon, Colombia, Côte d'Ivoire, Egypt, Mozambique, Senegal, Sierra Leone and Slovakia. The Board would greatly benefit from their active participation in its deliberations. He also wished to introduce the three Managing Directors: Mrs. Haruko Hirose of Japan, Managing Director of the Programme Coordination and Field Operations Division and Deputy to the Director-General; Mr. Abel John Julian Rwendeire of Uganda, Managing Director of the Programme Development and Technical Cooperation Division; and Mr. Renato Fornocaldo of Italy, Managing Director of the Division of Administration.

6. As the Programme and Budget Committee had met quite recently, and in order to make the best possible use of the limited time available, he would confine his remarks to: first, reporting on recent developments and action taken to implement decisions of the recent session of the Programme and Budget Committee and the Board's twenty-fifth session; second, providing a brief update on the financial situation; and third, discussing the way forward. With regard to the last-mentioned topic, he had requested Mrs. Hirose and Mr. Rwendeire to present to the Board the initial results of a round of talks held in October 2002 with the directors of the UNIDO technical divisions and regional bureaux. Subsequently, at the second meeting of the session, Mr. Fornocaldo and the Directors of the UNIDO Offices in New York and Geneva would brief the Board on developments within their respective units.

7. The Programme and Budget Committee session had permitted fruitful and constructive discussions between Member States and the Secretariat. A source of particular satisfaction had been the assessment by the outgoing External Auditor that the Organization had achieved relevance, financial stability, improved technical cooperation delivery and quality of service through more focused activities. That verdict provided independent confirmation of the achievements of UNIDO's transformation process, initiated by him in December 1997. Those achievements had been made possible by the commitment and hard work of Member States, management and the Organization's staff. Delegations to the Programme and Budget Committee had expressed similar views.

8. As a follow-up to Programme and Budget Committee conclusion 2002/2 on strengthening the internal oversight function of the Organization (IDB.26/13, para. 12), Director-General's Bulletin UNIDO/DGB(M).91 had been issued on 14 November 2002. The necessary action to strengthen internal oversight functions had been initiated. An "Office of the Comptroller General" would be established to ensure proactively that the internal control mechanisms worked efficiently and effectively, and to improve the Organization's performance and accountability, including the specific tasks foreseen in the Programme and Budget Committee conclusion. The Office would

perform the functions of internal oversight, financial control, programme policy monitoring, evaluation and legal advice. As with the recruitment exercise for Managing Directors, the position of Comptroller General would be filled on an open competitive basis; the process should be completed by March 2003, when the Office of the Comptroller General would be formally established.

9. In the interests of sound management, clear managerial responsibilities and streamlining of the Organization, the alignment of senior-level staff with programmatic requirements would be implemented during the coming months. He was aware that the current high number of D-2/L-7 staff was not financially sustainable. A number of steps had been initiated to address that situation, including separation through natural attrition, reassignment to field offices and reappointments. As a result, any further extensions of appointments of staff at the D-2/L-7 levels, other than the Managing Directors, would not be warranted.

10. One of the major tasks facing the Organization was to enhance its global outreach, ensuring that it made a stronger impact and achieved greater visibility in Member States. The Director-General's Bulletin dated 14 November 2002 also provided information on action being taken to further strengthen the Programme Coordination and Field Administration Division, by giving the regional bureaux greater responsibilities relating to programme and project coordination, implementation and monitoring, as well as the authority to allocate resources to the field offices, with due account taken of international development priorities.

11. At the Board's twenty-fifth session he had been requested to begin consultations with non-Member States, with a view to encouraging them to join or rejoin UNIDO. In accordance with the Board's advice, those efforts had been undertaken in close coordination with Member States. Efforts made in that regard were detailed in documents IDB.26/14 and IDB.26/CRP.6. He now suggested that an informal consultative group of representatives from Member States should be set up to review the situation, and to assist the Secretariat in its efforts to persuade non-Member States to join or rejoin the Organization, as well as to effect the collection of arrears.

12. A further important topic on the agenda was UNIDO's thematic initiatives. UNIDO's specialized experience had been grouped into eight service modules, which formed the basic building blocks of the Organization's technical cooperation activities. All activities were carried out within those service modules, under the following mechanisms: integrated programmes, generally for the least developed countries, and country service frameworks, for developing countries; and stand-alone projects, consisting mainly of Montreal Protocol and persistent organic pollutants (POPs) projects financed by the Global Environment Facility (GEF). It was proposed to further address specific issues by launching initiatives based on the service modules and on the Organization's comparative strengths and advantages but involving specific combinations of the service modules to address those problems in a targeted manner. Two such initiatives had already been launched: the Trade Facilitation and Market Access Initiative, launched at the International Conference on Financing for Development held at Monterrey, Mexico, in March 2002; and the Rural Energy Initiative, launched at the World Summit on Sustainable Development, held at Johannesburg in August and September 2002. Those initiatives addressed problems that were high on the international development agenda: namely, promoting market access for the developing countries and the development of sustainable and renewable energy resources for poverty alleviation. Both initiatives were at the forefront of UNIDO's efforts to further refine its interventions, and had attracted the interest of sister agencies of the United Nations system. An informal consultative group of interested representatives from Member States would be set up in due course, to advise on implementation of the Trade Facilitation and Market Access Initiative. The two initiatives would, however, in no way affect the implementation of the integrated programmes or country service frameworks. Indeed, in countries where those arrangements were in operation, activities under the Initiatives were expected to be undertaken within their overall ambit.

13. As to the financial situation of UNIDO, a detailed report on that subject (document IDB.26/5) had been discussed in detail in the Programme and Budget Committee. He was pleased to report that the Organization continued to be on a sound financial footing, enabling the Secretariat smoothly to implement the approved programme and budgets. As confirmed by the External Auditor, the Organization had achieved financial stability, thanks to prudent management of its financial resources. Its cash situation continued to be strong: UNIDO had cash resources amounting to some 31 million euros, including the Working Capital Fund, with which to implement the approved programme and budgets for 2002. Expenditure and delivery of technical cooperation activities had reached about US$ 80 million. It was thus expected that the Organization would come close to its delivery target of about US$ 90 million for 2002, on the basis of which the programme and budgets had been prepared.

14. Regarding payment plans, Ukraine had, as stipulated in the payment plan approved by the General Conference, recently paid a second instalment of

one million euros. Payment plans for Lithuania and Azerbaijan were at varying stages of negotiation. Brazil, which owed a substantial amount in outstanding assessed contributions, had recently expressed renewed interest in settling its arrears through a payment plan. He urged other Member States to take advantage of the payment plans to settle their arrears.

15. An important subject to be discussed at the current session of the Board was the UNIDO strategy paper proposed by the Government of Japan (IDB.26/15). He welcomed that initiative, and wished to thank the Government of Japan for taking such a keen interest in the programmatic aspects of the Organization's activities and involving all Member States in discussions of UNIDO's operations and normative work, resulting in a consensus on several complex issues. A draft decision formulated by Japan had been circulated to delegations for their consideration, and he was confident that it would be adopted by the Board.

16. At the beginning of his second term of office he had faced a difficult choice: either to leave things much as they were pending developments in the process of reform of the United Nations system; or—the choice actually taken—to align UNIDO with the direction he suspected that the United Nations Secretary-General, the international community and his colleagues in the United Nations system would decide to take.

17. In a conference room paper (IDB.26/CRP.5), he had drawn attention to proposals by the United Nations Secretary-General for reform of the United Nations system. Those proposals related to United Nations system representation at the field level, ways and means of strengthening the system of resident coordinators, the pooling of resources, joint programming and the roles and responsibilities of each of the agencies of the system in efforts to achieve the Millennium Development Goals. The Secretary-General had said that he would request donor countries to adjust their funding to those roles and responsibilities. Major UNIDO documents such as the Business Plan and the medium-term programme framework, as well as the proposed strategy paper submitted by Japan, referred to the role of the agency with regard to implementation of the Millennium Development Goals and the goals of the international development community.

18. He was pleased to note that the direction already decided on in March 2002 was fully in line with the conceptual focus of the proposals for reform of the system presented by the Secretary-General, UNIDO having aligned its efforts so as to concentrate its field representation in one division and further refine its technical operations by a process of cross-fertilization of technical knowledge. In its deliberations on the way forward for UNIDO and its consideration of the proposed strategy paper, the Board should take full account of those aspects of the Secretary-General's reform proposals. It was his strong belief that the efforts made over the past five years would fall short of their potential unless serious account was taken of the process of refining UNIDO's activities, technical interventions and representation at the field level. Accordingly, he would welcome an opportunity for the Managing Directors to present to the Board their plans and ideas concerning the way forward in their respective divisions.

19. **Mrs. HIROSE** (Managing Director, Programme Coordination and Field Operations Division) said that field operations played an important role in an integrated approach to programme implementation and fund-raising. The Programme Coordination and Field Operations Division had been created with a view to concentrating the management of field operations, implementing the decentralization process, improving coordination in the areas of field programme coordination and management, fund mobilization and global forum activities, and assisting field operations more efficiently.

20. The regional bureaux had been assigned a more proactive role in field office management and field programme coordination. There were 29 field offices, and they were playing an essential role despite limited resources. Measures envisaged to strengthen the position of the offices included: making the UNIDO representative responsible for the integrated programme (IP) or country service framework (CSF); building up resources and expertise in the field; improving access to Headquarters information; and increasing networking with other UNIDO offices.

21. The experience with IPs and CSFs was currently being reviewed, as had been suggested by some Member States. The Division would report on a number of related issues at the following session of the Board. Assessing the actual results was a complex process, which required the development of indicators and the use of different sets of indicators for each region.

22. Responding to a concern expressed about Africa's share in UNIDO's activities, she wished to point out that its share in expenditures for all IPs and CSFs to date came to 52 per cent. However, its share in total UNIDO technical cooperation expenditure for 2001 had been only 19 per cent. The difference was due to stand-alone projects, where the special-purpose funding was normally beyond UNIDO's control; that demonstrated the importance of coordination and monitoring.

23. **Mr. RWENDEIRE** (Managing Director, Programme Development and Technical Cooperation Division) said that the Millennium Development Goals posed global challenges and that sustainability could not be achieved without large structural changes in society and industry. UNIDO was a member of the Millennium Project, task forces on poverty, technology policy and environmental sustainability. It was also a member of the Expert Group established to support and oversee the task forces. The outputs of the Millennium Project were to include: consolidation of task force reports; submission of an interim report to the Secretary-General; review of the report by mid-2004; and presentation of the final report to the General Assembly by 30 June 2005. UNIDO was also a member of the United Nations Development Group (UNDG).

24. Through its service module approach, UNIDO assisted countries with institutional capacity-building, industrial policies, etc. UNIDO's thematic initiatives were intended to optimize programme delivery and respond to challenges posed by the global development agenda. The Programme Development and Technical Cooperation Division offered technical cooperation in such areas as cleaner production, industrial promotion, technology transfer and the like.

25. In the future, UNIDO would have to consolidate its reforms by promoting integration and synergies and enriching in-house human resources with field experience, and to ensure higher professionalism for technical cooperation by redefining technical interventions and realigning staff profiles.

26. With regard to the global energy problem, he noted that poverty was linked to lack of access to electricity. The majority of poor people in developing countries lived in rural areas, and energy was a vital issue. UNIDO had been looking at the degradation of the environment, damage to health and reduction in agricultural productivity as a result of the use of biomass fuel. It helped to build capacity in order to increase local participation in projects and facilitated technology transfer and the productive use of energy. He wished to highlight mini-hydro projects, in which part of the machinery was manufactured and assembled in the country itself, generating the power used for meaningful productivity.

27. Regarding market access, he pointed out that developed countries offered developing countries opportunities for better accessing their markets, in particular with initiatives for LDCs; however, the developing countries often lacked sufficient productive capacities to compete effectively in global markets, and they lacked standards and conformity infrastructures to prove that their products conformed to market requirements. In the light of that, UNIDO's Market Access Initiative, which was based on the "3 Cs" of Competitiveness, Conformity and Connectivity, directly addressed market access issues of developing countries. For example, UNIDO had assisted fish industries in developing countries to upgrade their production in order to meet market requirements.

STATEMENT BY THE MINISTER OF INDUSTRY AND TECHNOLOGICAL DEVELOPMENT OF EGYPT

28. **Mr. EL-SAIEDI** (Minister of Industry and Technological Development of Egypt) said that UNIDO had already made great progress along the path of reform and would be able in the future to respond more effectively to the needs of Member States and to the political and economic changes taking place in the world. He hoped that the Organization would continue its efforts in that regard while remaining open to new ideas for adjusting the frameworks for its activities. In particular, in the current climate of increasingly close cooperation between the peoples and States of the world, the Organization should maximize its operational and practical role in helping developing countries to achieve sustainable industrial development.

29. Some developing countries were legitimately concerned that their capabilities were not taken sufficiently into account when new mechanisms for sustainable industrial development were implemented. UNIDO constituted an important international forum in which such concerns could be aired, and it was to be hoped that developed countries would acknowledge those concerns and provide the necessary support. One of the most important aspects of the Organization's work was the provision of technical cooperation to developing countries to enable them to fight marginalization and poverty.

30. Egypt had adopted a comprehensive development strategy, the cornerstone of which was the National Industrial Modernization Programme, designed to increase rates of production and improve living standards. The implementation of that programme, which was regarded as a high priority by all the organs of the Egyptian Government, required close cooperation with UNIDO, which had a wealth of experience and capabilities in that field. The Government was therefore keen to implement the technical cooperation framework which it had agreed on with the Organization.

31. The Organization needed adequate financial resources in order to achieve its objectives, and his Government called on all parties to fulfil their commitments to UNIDO. The low rate of voluntary contributions and the small proportion of the regular budget allocated to technical cooperation activities

were matters of concern for developing countries. Moreover, the operational budget was inadequate to cover the full range of UNIDO activities, and additional resources were therefore needed. He called on Member States to give serious attention to the review of the rules on the financing of technical cooperation activities.

32. Referring to the annual report of the Director-General on the activities of the Organization in 2001 (IDB.25/2 and Add.1) and the report of the External Auditor, financial performance report and programme performance report for the biennium 2000-2001 (IDB.26/2), he said that the concept of integrated technical cooperation still represented a solid basis for sustainable industrial development, as long as the necessary resources were provided. He therefore called on all Member States to increase their contributions to the operational budget and requested the Secretariat to allocate a greater proportion of its resources to technical cooperation activities, rather than administration. Lastly, his Government fully supported the Organization's activities in the field and those related to environmental protection.

STATEMENT BY THE MINISTER OF ENVIRONMENT OF SLOVAKIA

33. **Mr. MIKLOS** (Minister of Environment of Slovakia) welcomed the substantial progress that had been achieved in reforming UNIDO and noted that the Organization was now regaining the confidence of its Member States. The participation of UNIDO in the World Summit on Sustainable Development had enhanced its profile and strengthened its mandate for promoting sustainable development, including such important areas as environmental accountability. At the Summit, his Government had advocated proposals to streamline the preparation and implementation phases of sustainable development initiatives.

34. Board decision IDB.25/Dec.3 on "Strengthening the regional dimension in the activities of UNIDO" had confirmed the importance of regional programmes. One regional initiative was the International Forum on Strategies and Priorities for Environmental Industries, held at Bratislava in June 2002, which had brought together representatives of ministries of the environment and of the economy from the countries in the region to discuss the environmental and economic aspects of cleaner and sustainable industrial development. The Forum had focused on three aspects of "partnership" between industry and the environment: the need for cleaner production and environmental management and audit systems; the need to change production and consumption patterns, in particular by making products that were more environmentally friendly; and the need to develop end-of-pipe technology for the purposes of recycling and cleaning.

35. The Forum had also discussed the issues of persistent organic pollutants and the remediation of polluted sites, and had been followed up with a workshop on the application of remediation technology to heavily polluted sites in the region. Efforts to establish a fund for the disposal of obsolete stockpiles of persistent organic pollutants in Central and Eastern Europe had also been endorsed. It had been agreed that the National Cleaner Production Centres (NCPCs) in the Czech Republic, Hungary, Slovakia and Croatia would work together more closely with a view to extending the NCPC network to other countries in the region. A second Forum was to be held in Slovakia in 2004, where one of the most important topics discussed would be cooperation between countries which needed to dispose of obsolete stocks of pesticides and chemicals. In addition, the Government of Slovakia and UNIDO were jointly backing the establishment of a focal point, supported by the International Centre for Science and High Technology and UNIDO, for Central and Eastern European countries.

36. Lastly, his Government welcomed the proposed UNIDO strategy paper submitted by Japan (IDB.26/15), which would enable the Organization to implement more effectively its technical cooperation activities in developing countries and countries with economies in transition.

STATEMENT BY THE MINISTER OF ECONOMIC INFRASTRUCTURE OF CÔTE D'IVOIRE

37. **Mr. ACHI** (Minister of Economic Infrastructure of Côte d'Ivoire) said that his country was currently experiencing a crisis that was unprecedented in its history: a band of armed terrorists had been occupying part of the country since September 2002. In the period between the departure of the military from power in 2000 and the eruption of the current crisis, the elected civilian Government had achieved notable success in its efforts to revive the economy, and the country had been hoping to benefit from the Heavily Indebted Poor Countries (HIPC) initiative in 2003. On the political front, a broad coalition Government incorporating the five main political parties had been formed to consolidate the country's economic recovery and prepare for the elections which had been scheduled for 2005. Those achievements were now threatened by the current crisis in the country.

38. His Government, under the auspices of the Economic Community of West African States (ECOWAS), had decided to resolve the crisis through negotiation, since the country could ill afford a fresh war. A peaceful resolution required the involvement of

all countries, particularly developing countries and African States. It was unacceptable for an unrepresentative minority to challenge a legitimate Government and the constitutional order by force of arms: such actions undermined the fundamental principles of democracy, good governance and respect for human rights, and the peace and security which were vital for stability and development. Yet the Government had to resist the temptation to return to a build-up of arms, which would divert funds from other areas where they were desperately needed, such as basic infrastructure, health and education, and also industrialization, which was the only viable means of tackling unemployment. Such a build-up of arms would also represent a retrograde step in the light of recent achievements such as the establishment of the African Union and the New Partnership for African Development (NEPAD). It was to be hoped that the negotiations currently taking place in Lomé would lead to the restoration of peace in his country.

39. The Government intended to make industry the focus of its efforts to achieve growth, modernize the economy, create jobs and promote the sustainable and equitable development that was needed to combat poverty. In 2001, a committee for consultation between the State and the private sector had been established, a law on the Court of Arbitration had been drafted, funds had been mobilized to implement the UNIDO integrated programme for industrial development and a national quality plan had been drawn up. Economic progress required a culture of enterprise, bold investors and a healthy legal and institutional environment. It had therefore been decided that a new partnership would be forged in 2002 and 2003 between the Government and the private sector, and that the Government would institute the reforms necessary to promote enterprise, investment and economic competitiveness.

40. Côte d'Ivoire had already made significant progress in promoting the private sector: the telecommunications industry was entirely privatized, and some areas in the public sector were managed by private operators. Private financing had been provided for a number of large-scale construction projects, and the palm oil, cotton, cocoa and hevea sectors had also been privatized. His country thus had the most open, liberal economy in Africa and, in terms of its public services, was ahead of many other countries in the world.

41. Turning to the items on the Board's agenda, he said it was encouraging to learn from the documents submitted that the rate of collection of 2002 assessed contributions was the highest rate that had been achieved since the conversion of UNIDO into a specialized agency. That testified not only to the efforts of the Secretariat to improve the collection of assessed contributions, but also to the efforts of the Organization to regain the trust of Member States, especially through the financial and administrative reforms of the previous five years.

42. With regard to the medium-term programme framework, 2004-2007, the functions and priorities of UNIDO should be adapted to the new realities of the world economic environment, taking into account the particular characteristics of each region and country. Given that the needs for technical assistance and support for industrial development were ever greater and more urgent, UNIDO needed to work more closely with the recipient countries, and adequate human and financial resources needed to be provided for the Organization's decentralized entities.

43. The reforms undertaken had enabled UNIDO to be cited as an example in the process of reform and transformation of the United Nations system currently under way. The Organization should continue its efforts to improve its administrative procedures as a means of enabling it to attain its objectives. UNIDO would be judged on its ability to produce tangible and concrete results that had a positive impact on people's lives. The reforms could only achieve their aims if, among other measures, countries gave the Organization adequate human and financial resources for both the regular and operational budgets.

44. UNIDO urgently needed to develop a new strategy in order to strengthen its capacity to mobilize resources and implement all the programmes that had been adopted. New mechanisms for mobilizing funds had to be found and more partners enlisted for industrial development. He commended UNIDO for its new initiatives in that regard.

45. He wished the three new Managing Directors success and reiterated the commitment of the Government of Côte d'Ivoire to international industrial cooperation and to the future of UNIDO.

STATEMENT BY THE REPRESENTATIVE OF ALGERIA

46. **Ms. FEROUKHI** (Algeria) said that the twenty-sixth session of the Board coincided with the end of the Second Industrial Development Decade for Africa. Unfortunately, the special programme launched by the United Nations for the Decade remained a project. Countries had not lived up to their commitments with regard to the mobilization of the financial resources necessary for the implementation of the programme for the industrialization of Africa. The developing countries were seriously concerned at the continued decline in resources for development activities. The commitments of the industrialized countries regarding

official development assistance had not been honoured. However, it was encouraging that the members of the Board continued to give priority to industrial development and to support the central role of UNIDO in that area. She commended the delegation of Japan for having initiated a discussion on that topic on the basis of a strategy aimed at refocusing activities and improving the efficiency of the technical cooperation activities of UNIDO.

47. Continually adapting and improving working methods were normal activities for an organization but it was important to ensure that UNIDO remained a major forum for the discussion of vital issues relating to the industrial development of developing countries. That discussion should go hand in hand with a global reassessment of the financial situation with regard to the activities of the Organization. It must be hoped that refocusing technical cooperation activities would elicit increased interest and lead to a better equilibrium between the objectives included in the programme framework and the means made available for implementing the programme. It was also important that Member States should recognize their obligation to pay their regular contributions to the budget of the Organization in full and on time. She welcomed the recent improvement in the financial situation of the Organization, noting that the rate of collection of assessed contributions had reached a level unprecedented in recent years. However, the total of unpaid contributions remained a matter for concern, as did the high number of Member States that had had their right to vote suspended. She encouraged the Director-General to continue his efforts to limit the negative consequences of that situation, which was a sign of a lack of trust in the Organization.

48. Turning to the implementation of the medium-term programme framework, 2002-2005, she said that her delegation endorsed efforts to promote small and medium enterprise clusters and networks. Algeria also supported the launching of a technology foresight exercise for the countries of the Maghreb, wished to associate itself with that initiative and was ready to participate in due course.

49. Addressing the topic of cleaner and sustainable industrial development, she thanked the Director-General for having participated in an international conference held recently in Algiers for the launching of a national plan of action integrating the ecological dimension into socio-economic development. Algeria had established a national centre for clean production technology and a national institute for environmental training for the public and private sectors.

50. Regarding UNIDO's programme in the field of energy in rural areas, she said that, although Algeria possessed considerable petroleum reserves, the authorities were committed to the promotion of alternative energy sources in order to be able to supply remote areas and to take account of future long-term development needs.

51. Regarding South-South cooperation, which UNIDO supported through efforts to establish networks between the middle-income and the least developed countries, Algeria attached importance to such cooperation and was ready to offer its expertise in that framework.

52. Algeria was linked to UNIDO by a substantial programme of cooperation, to which the country was deeply committed, and wished to thank UNIDO for its support. Algeria also hoped for a substantial input from its partners in order to meet the objectives of sustainable industrial development.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (IDB.26/13)

(a) REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 2000-2001 (IDB.26/2, IDB.26/3 and IDB.26/5; IDB.25/2 and Add.1)

(b) FINANCIAL SITUATION OF UNIDO (IDB.26/9, IDB.26/16 and Add.1; IDB.26/CRP.2)

(c) FINANCIAL REGULATIONS (IDB.26/1/Add.1)

(d) MOBILIZATION OF FINANCIAL RESOURCES (IDB.26/6; IDB.25/2 and Add.1)

(e) TRANSITION TO A SINGLE CURRENCY SYSTEM (IDB.26/4)

53. **MR. V. G. GARCIA III** (Philippines), speaking on behalf of the Group of 77 and China, said that they had participated with keen interest in the work of the eighteenth session of the Programme and Budget Committee and supported the conclusions and recommendations adopted as contained in document IDB.26/13. They welcomed the positive assessment made by the auditors that the general financial situation of UNIDO had improved considerably over recent years and that the Organization had achieved financial stability and improved technical cooperation delivery and quality of services through more focused activities during the previous four years. They welcomed the implementation of the new financial performance control system by UNIDO with the available human resources. They hoped that the transitional period

would proceed smoothly and that some of the shortcomings encountered in shifting from one system to the other, as pointed out by the auditors, would be remedied with full reconciliation of accounts.

54. They shared the view that organizational performance should be continuously achieved and that there was an urgent need to develop performance indicators to measure programme results, including the implementation outcomes of the medium-term programme framework.

55. With regard to the rules applied by the various members of the donor community on the use of project budgets, the Group of 77 and China recognized that such rules were in accordance with the regular organizational processes of the donors, but shared the view that the donor community should exhibit more flexibility in the use of project budgets and not impose procedures that might complicate the work of the Organization. They encouraged the Secretariat to explore further possibilities for harmonizing the donor community's rules with those of UNIDO.

56. The Group of 77 and China were mindful of the lack of funds for the full implementation of technical cooperation activities. It was a responsibility of all Member States, together with UNIDO, to mobilize adequate resources for the implementation of UNIDO's programmes. For UNIDO to discharge its mandate, it was absolutely essential to ensure that the extrabudgetary resources of the Organization were reliable and predictable. The Group of 77 and China therefore encouraged the Secretariat to continue its efforts to mobilize extrabudgetary funds for UNIDO's technical cooperation activities, particularly the implementation of the integrated programmes and country service frameworks. They also urged Member States and other donors to increase their voluntary contributions to UNIDO and to consider contributing programmable funds. They again called upon all Member States to pay their arrears and their assessed contributions in full and on time.

57. **Ms. POULSEN** (Denmark), speaking on behalf of the European Union and the candidate countries Bulgaria, the Czech Republic, Hungary, Lithuania, Malta, Poland, Romania, Slovakia and Turkey, said that she fully supported the various draft decisions recommended by the Programme and Budget Committee (IDB.26/13). The European Union noted with satisfaction that UNIDO was now in a financially stable situation. It continued to encourage the Organization to develop its programmes within the context of a realistic assessment of the funds likely to be available, and it took note of the measures taken to improve the collection of all receivables, including from former members.

58. The European Union welcomed the Director-General's continuing efforts to enhance the organizational capacity of UNIDO, and in that respect had noticed his bulletin of 14 November 2002. It was pleased to note the Director-General's decision in response to calls by Member States to establish a comptroller general's office.

59. The last 10 years had seen considerable changes in the sources of funds for the technical cooperation programme. UNIDO was encouraged to carefully examine, together with the countries concerned, the full portfolio of UNIDO activities and to take a close look at integrated programmes and country service framework planning figures. The European Union took note of the recommendation of the External Auditor and looked forward to the Director-General's report to the Board at the twenty-seventh session on those issues. She was pleased to note that, thanks to the hard work of the Organization's staff, financial stability, technical cooperation delivery and quality of services through more focused activities continued to improve.

60. **Mr. FIGUEROA** (Observer for Argentina), speaking on behalf of the Latin American and Caribbean Group (GRULAC), said that the Group supported all the draft decisions submitted for adoption by the Board. In particular, GRULAC appealed for the adoption of the draft decision contained in Programme and Budget Committee conclusion 2002/3 on the financial situation of UNIDO, in order to help the Organization resolve the situation regarding the unencumbered balances of appropriations, income from new Member States and interest income referred to in General Conference decision GC.9/Dec.10 for the benefit of the integrated programmes.

61. Referring to conclusion 2002/5 concerning the mobilization of financial resources for UNIDO programmes, the Group stressed the contributions made by countries of the region to UNIDO's integrated programmes and stand-alone projects despite the severe economic crisis affecting the region, and urged the donor community and other sources of funds to increase their voluntary contributions to UNIDO for such activities and for those included in the medium-term programme framework, 2002-2005.

The meeting rose at 12.40 p.m.